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ACTIVITIES OF THE TRANSNATIONAL CORPORATIONS AND MANAGEMENT DIVISION AND ITS JOINT UNITS

Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its eleventh session

SUMMARY

At its eleventh session, the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, under agenda item 2, "Adoption of the agenda and other organizational matters", had a discussion on a number of issues, such as the size and membership of the Group, the financial arrangements for the participation of representatives and the appropriate structure and resources necessary for the Group to carry out its mandate. It adopted three relevant draft resolutions calling for action by the Commission on Transnational Corporations: "Enlargement of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting", "Financial arrangements for the annual session of the Group" and "Structure and resources to fulfil the mandate of the Group".

The Group also had a discussion on the special subject of accounting education and strengthening of the profession. The Group was particularly concerned that accountants and auditors were not being properly prepared to meet their global responsibilities. It considered nine reports of the Secretary-General which surveyed the adequacy of accounting education on country, regional and global levels. It discovered that the education gap was far more serious on a world-wide basis than had been recognized by the accounting profession.

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There was consensus among the Group on the need to develop standards for a global qualification which would make the accounting profession equal around the world. While in many countries a high level of accountancy had been achieved, there was no common guaranteed level world wide. That lack posed problems for accountants from developing countries and countries in transition in that they were not accorded equal status with accountants from developed countries. The Group suggested that two new designations be established - that of United Nations registered accountant and (on a higher level) that of United Nations registered auditor. The experts called upon the International Federation of Accountants to focus on the problem and to develop global qualification standards for accountants and auditors that could be endorsed by the United Nations.

The Group also adopted two proposals, entitled "Cooperation with the International Federation of Accountants" and "Ad hoc consultation on a master plan", which are brought to the attention of the Commission.

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I. MATTERS CALLING FOR ACTION BY THE COMMISSION ON TRANSNATIONAL CORPORATIONS OR BROUGHT TO ITS ATTENTION

A. Draft resolutions recommended for adoption by the Commission

1. The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting recommends to the Commission on Transnational Corporations the adoption of the following draft resolutions:

DRAFT RESOLUTION I

Enlargement of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting

The Commission on Transnational Corporations,

Recalling Economic and Social Council resolutions 1979/44 of 11 May 1979, 1982/67 of 27 October 1982 and 1991/56 of 26 July 1991, and resolution 1988/1 adopted by the Commission on Transnational Corporations at its fourteenth session, 1/

Recognizing the increasing importance of promoting the use of internationally accepted accounting principles,

Having considered the report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its eleventh session, 2/

Noting the growing number of countries interested in the work of the Group, particularly new States Members of the United Nations, many of them countries in transition,

Acting upon the recommendation of the Group at its eleventh session concerning the size and composition of its membership,

Requests the Economic and Social Council to increase the membership of the Group from thirty-four to fifty, and to allocate the seats according to the following pattern:

Thirteen members from African States;

Ten members from Asian States;

Six members from Eastern European States;

Seven members from Latin American and Caribbean States;

Fourteen members from Western European and other States.

DRAFT RESOLUTION II

Financial arrangements for the annual session of the Group

The Commission on Transnational Corporations,

Recognizing the increasing interest in the work of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting in the area of international accounting and reporting,

Concerned with the low incidence of expert representation from developing countries at the sessions of the Group, due in part to inadequate resources to finance the participation of such experts,

Convinced that the effective fulfilment of the mandate of the Group, in particular to serve as an international body for the consideration of issues of accounting and reporting in order to improve the availability and comparability of information disclosed by transnational corporations, requires the full and active participation of experts from all regions,

Noting that representatives need to have special expertise in the field of international accounting, in view of the complex and technical nature of the work of the Group,

Bearing in mind the arrangements on reimbursement of travel expenses that exist for certain United Nations bodies, pursuant to section XI of General Assembly resolution 43/217 of 21 December 1988,

Requests the General Assembly, in consultation with the Secretary-General, to consider granting financial assistance, within existing resources, to the least developed countries that are members of the Group, and, on an exceptional basis, to other developing countries that are members of the Group, at their request, to enable them to participate in the sessions of the Group.

DRAFT RESOLUTION III

Structure and resources to fulfil the mandate of the Group

The Commission on Transnational Corporations,

Recalling Economic and Social Council resolutions 1979/44 of 11 May 1979, 1982/67 of 27 October 1982 and 1991/56 of 26 July 1991,

Having examined the report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its eleventh session,

Taking note of the expanded mandate of the Group, in particular as it relates to technical cooperation, to meet the needs of developing countries and

countries in transition in the development of the accounting profession and standard-setting,

Calls upon the Secretary-General to ensure that the appropriate structure and resources are made available within the United Nations Secretariat so that the Group can effectively carry out its mandate on international accounting and reporting.

B. Resolution and decision of the Group brought to the attention of the Commission

2. The following resolution and decision are brought to the attention of the Commission on Transnational Corporations:

Resolution 11/1. Cooperation with the International Federation of Accountants

The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting,

Concerned that the education gap is far more serious on a world-wide basis than has been recognized by the accounting profession so far,

Convinced that there is a need for global qualification standards which should be endorsed on an intergovernmental level in order to promote global acceptance and to invest them with the proper authority,

Considering that the International Federation of Accountants is the appropriate body to serve the world in the area of accounting education,

1. Calls upon the International Federation of Accountants to change its approach and to focus on the real educational problems globally;

2. Decides to look for other ways and means of accomplishing this task if the International Federation of Accountants, for whatever reason, is not in a position to take it up;

3. Recommends the following terms of reference for consideration by the International Federation of Accountants:

(a) To develop global qualification standards for accountants and auditors to be endorsed by the United Nations;

(b) To develop a professional accreditation system based on the global qualification standards;

(c) To develop a multilingual world dictionary of accountancy;

(d) To take into account the different environments that exist in the world by involving the regional bodies of the International Federation of Accountants;

(e) To start with the qualifications for accountants as the suggested order in developing the global qualification standards;

(f) To liaise with the World Bank and other international bodies, where appropriate;

(g) To consult with the Bureau of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting;

4. Requests the International Federation of Accountants to report to the Group at its twelfth session, in 1994.

Decision 11/101. Ad hoc consultations on a master plan

The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting requests the Secretary-General to explore with interested parties, international, public and private, ways and means of launching a consultation process with a view to promoting global interaction for the advancement of accounting and professional education.

II. ACCOUNTING EDUCATION AND STRENGTHENING OF THE PROFESSION

A. Review of curricula for accountants and auditors at the global level

3. At its 1st meeting, on 4 March 1993, the Group took up the report of the Secretary-General on the global review of the state of accounting and auditing education and training (E/C.10/AC.3/1993/2). In introducing the report, a member of the Secretariat noted that the report gave a global view of the state of accounting education based on a statistical summary of the data contained in a questionnaire circulated to all member countries, leading academics and heads of professional associations.

4. The basic premise of the report was that education was necessary to prepare accountants to take up their role and meet their responsibilities, which were constantly changing. The profession was falling behind in producing individuals equipped to operate either in a modern economy or in a global economy. The study concentrated on education systems that prepared the highest-level accountants or those with the designation of independent auditor. The average profile of the accounting education system that emerged from the data was that of a technically oriented curriculum.

5. The representative of the European Community (EC) explained that in the Community there were specific requirements for statutory auditors. They had very strict educational requirements so that the public interest was protected. Those requirements were set out in the 8th European Community Directive. On the other hand, accountants had many roles and the Community had not formulated the requirements for their education. Therefore, it was important to make a clearer distinction in the report between the education required for accountants and that for auditors.

6. The expert from Kenya stated that, ideally, there should not be a distinction between accountants and auditors. Competence and independence were required of both, so their education should not be different. The expert from the Sudan added that accountants and auditors should have the same level of education. Distinction would be made in accordance with training and specialization. The representative of EC replied that he had not suggested that there were two different professions or that accountants did not need to be competent; rather, he wanted to stress that auditors must fulfil certain requirements because they worked in the public interest. Those requirements were different from those providing accounting services. That must be more clearly stated in the report.

7. The experts from Germany and Hungary observed that in their countries a distinction was made between the different levels of the professions - that is, between bookkeepers, accountants and statutory auditors. They recommended that a clear distinction be made. The expert from Gabon was of the opinion that the distinction between accountants and auditors should not be based on the level of training but rather on whether they had public or private responsibilities. However, the expert from France observed that commercial accountants or those working for firms should be bound by the same ethical rules as auditors. The expert from India said that it was clear that the questionnaire had targeted statutory auditors or accountants at the highest level and that the discussion was not about bookkeepers. The Group should be talking about the education given to the highest level. The Chairman suggested that the discussion focus on accounting education in general, with special attention to auditors.

8. At its 2nd meeting, on 4 March 1993, the Group took up the report of the Secretary-General on responsibilities of the accounting profession and the direction of accounting and auditing education (E/C.10/AC.3/1993/3). The observer for the United States of America noted that accountants and auditors were providers of important information for external and internal users. The way they were educated was critical to carrying out those responsibilities. The report distinguished four stages in professional accounting development: individual accounting practice; pre-profession; early profession; and mature profession. Those four stages related to the stages of economic development and the role and responsibilities of the accountant. In his view, as economic development increased, accounting education must shift from a technical focus to broader business knowledge.

9. The expert from the Sudan stated that the report contained a clear demarcation between the different levels of accountants by introducing the four stages of professional accounting development. It was also obvious that there was a relationship between the state of economic development and the work of the accountant. At each stage standards were needed to guide the work. In some countries there were conflicting demands for accounting information. In his view, there should be uniform accounting standards. While one could make a distinction between the different stages of professional development and the different education needed, a distinction should not be made between the education obtained at each level in the developing countries compared to the developed countries.

10. The Chairman suggested that two types of standards needed to be formulated. The first standard would be a benchmark for professional qualifying examinations. The second standard would be for licensing.

11. The representative of EC responded that EC had tried to deal with the two problems of qualification and licensing. Although the curricula had been harmonized, at least for statutory auditors, mutual recognition of qualifications still depended on the auditor passing a test of knowledge of the local law of the country in which he or she wanted to be licensed.

12. The representative of the Fédération internationale des experts-comptables francophones (FIDEF) stated that since there was one accounting profession, there should be one accounting requirement and it should be dealt with in a global way. Everyone should have access to the profession and related education. The development of a global requirement would help the profession in the developing countries. The expert from Poland explained that, while the situation was very different in her country, it would be much easier if there were international qualifications. While there were many accountants in her country, they all needed to be retrained in order to operate in a market economy. It would be much easier to retrain them if there was a minimum curriculum that the country could follow. It would be much easier to convince the authorities of the appropriateness of the retraining being proposed.

13. The expert from Germany agreed that it was necessary to distinguish between qualification and licensing. Possibly, the United Nations could create an institute that could deal with the questions of qualification and develop a system that would be of benefit to national institutes.

14. The expert from the Netherlands was of the view that the "expectations gap" had nothing to do with education. The expectations gap was a result of other problems facing the profession which could not be solved by education. However, what might be lacking was continuing education. If one looked into the cases where a firm had been sued, often the people responsible for the audit had been educated 20 years ago. The problem was how to keep them up to date since those who were successful in practice did not have time to keep abreast of all the changes. The expert from Germany agreed that accountants could not fulfil all public expectations or guarantee the continued existence of enterprises. The expectations gap could not be closed by education; the public must realize that the accountant had certain limitations. For example, statutory audits only related to past financial statements, not to future ones. Secondly, there was no audit of direct management decisions. If the profession had to pay the claims mentioned in the report, that could be the end of the profession. The savings and loan crisis was not caused by auditors but by economic conditions; also, the supervision could be questioned. Therefore, he could not agree with paragraph 31 (a) of the report, which suggested that auditors assume more responsibility for the detection and reporting of fraud and illegal acts. He indicated that the problem was a balancing between public expectations and a realization of the limitations of the profession. He urged a limitation on liability.

15. The observer from the United States of America stated that the recommendations in paragraph 31 were from the Treadway Commission report and that the obligation to assume more responsibility for fraud and illegal acts

might soon be imposed by law in her country. The expert from the Sudan added that there was a tendency on the part of users of financial statements to think that auditors could do all things. That issue should be taken up by the International Federation of Accountants so that practitioners could be protected.

16. The expert from India suggested that the question of responsibilities of auditors could form a topic for further discussion. Such questions as where do auditors' responsibilities started and ended and where did parliaments or public accounting committees come in could be included. Regarding paragraph 31, he was of the opinion that audit effectiveness should be improved. He asked whether auditors were equipped at all to find fraud or understand what was really going on since they seemed to be immersed in the routine aspects of financial statements. For example, how well could they get to the bottom of the vast changes that occurred during capital restructuring? The issue that should be discussed was how could they be prepared to deal with complex problems - especially after they had completed their education. The Chairman agreed that it would be worthwhile to set up a one-day forum to discuss the responsibilities of auditors.

17. Considering that paragraph 31 reflected the belief of many members of the public and financial statement users, the Group felt that another paragraph should be added which would contain the profession's view that it was being held more responsible for detecting adverse developments than it should be.

18. The representative of the European Community recommended the following amendments in both reports under discussion:

(a) A clear distinction should be made between the education of accountants and that of auditors;

(b) Paragraph 58 of document E/C.10/AC.3/1993/2 should be amended since the question of salary was not a typical problem for the accounting profession; paragraph 59 should mention that the International Federation of Accountants (IFAC) should be invited to participate in the work described; in fact, IFAC could do many of the things mentioned in paragraph 59 such as developing international qualification and teaching materials and a multilingual glossary;

(c) Improvements should also be made in "continuing" education which might remedy some of the problems being encountered at the stage of the mature profession.

19. The Chairman closed the discussion by saying that it was the opinion of the Group that, while the documents were excellent, they needed some amendments. It was clear that education was the basic foundation of the development of the profession and that education needed to be improved. It was useful to distinguish between qualifications and licensing. The Chairman noted that global educational standards and continuing education standards needed to be formulated.

B. Review of training programmes in Africa, Asia, Latin America, Europe and North America

20. At the 3rd and 4th meetings, on 5 March 1993, the Group reviewed training programmes in the various regions based on the reports of the Secretary-General:

(a) "Regional review of accounting and auditing education and training in Africa" (E/C.10/AC.3/1993/4);

(b) "Regional review of accounting and auditing education and training in Asia and Latin America" (E/C.10/AC.3/1993/5);

(c) "Regional review of accounting and auditing education and training in Europe and North America" (E/C.10/AC.3/1993/6).

21. A member of the United Nations Secretariat explained that those reports were summaries of the information found in the replies to a questionnaire on accounting education that had been circulated to all member Governments, leading academics and the heads of professional organizations. There had been approximately 91 replies from 73 countries, representing a response rate of over 39 per cent. Resources did not permit the verification of data and the country experts were invited to provide more complete information. The questionnaire data had been computerized so as to facilitate further analysis.

22. She noted that 30 African countries had sent replies and that the information contained in the African questionnaires was consistent with earlier findings presented in Accountancy Development in Africa: Challenge of the 1990s. 3/ It appeared that many countries had had difficulty providing the training necessary to produce fully qualified accountants. Licences were given only in about 15 of the countries submitting information. In the remaining countries only an academic degree could be earned. In those circumstances, accountants often sought a foreign credential. Very few of the teaching faculty had professional certification, and salaries were very low. The main deficiencies were lack of trained faculty and lack of appropriate materials. That affected the quality of accountants and made it difficult for accounting education to contribute to accountability in the public sector.

23. A representative of the World Bank stated that the Bank was very concerned about the fragmentation of accountability in Africa and that it was necessary to design a more cohesive framework for international accounting activities. A concerted approach across a broad range of aspects was needed in the context of assuring good governance. If those other aspects were not addressed, education and training programmes would continue to falter. The Bank was therefore developing a comprehensive programme that included the development of accounting and auditing standards, a quality review scheme for auditors, and strengthening of the profession as well as training. The programme, which put accountability into a broader context, would be discussed with 22 donor countries in the near future. He noted that one neglected area of training was that of information technology and computer-aided accounting.

24. The representative of the Fédération internationale des experts-comptables francophones (FIDEF) thought that such a comprehensive programme would allow the Bank to make an effective contribution. He added that the Bank needed to ensure

that there were adequate conditions for the absorption of its resources so that they didn't "melt like snow in the sun". It was important to sell certain ideas before making investments. The recipients must be convinced of the need for accountability and must recognize the contribution of an independent accounting profession in achieving such accountability. In other words, it was important to identify the agents of change. As long as there was no profession in certain countries, accountability could not be achieved.

25. The representative of the African Accounting Council stated that the question of education was a front-line issue for the Council and that it had developed programmes and practical approaches to meet its educational goals. He explained that the Council sought to assess and ensure the coherence of various international programmes so that existing resources were used more efficiently. He announced that agencies would be invited to participate in a high-level workshop on the topic. Invited by the Chairman to describe the Council's operational programmes, he mentioned a framework for education and training, a think-tank for designing training programmes and materials, and fellowships for study abroad. He said that some years ago the World Bank had established a 10-year programme for accounting development that would continue for the next six years.

26. The expert from Nigeria asserted that in his view the profession could not be strengthened if it did not exist; therefore education had to come first in any strategy. He indicated that he had attended an extremely large number of conferences on accounting education within the past 20 years, including one in Zaire in 1983 and another in Dakar (Senegal) in 1991. While exchanging views was always interesting, what was needed was action. Unfortunately, there had been no action after those conferences. Concrete steps needed to be taken in the area of regional training centres, materials development, and the application of computer technology. In Dakar, he had seen a regional training centre that could promote accountancy development but had been unable to fulfil that task owing to lack of funds, local professors and materials. He went on to say that regional centres were needed because a country approach was sometimes too expensive, and he asked the Group to re-examine the regional approach.

27. The expert from Lebanon noted the legislative developments in his country that were laying the basis for a strong profession. In particular he stated that a law was about to be enacted to regulate the profession. International accounting standards had also been adopted. The national professional association had contributed to the process by conducting training courses and was preparing an international conference on standard-setting.

28. The expert from Gabon supported Nigeria with respect to the need for the establishment of regional training centres, which had been recommended both in Abidjan (1988) and Dakar (1991). He was of the opinion that commercial accountants, government accountants and auditors must follow a common line of studies until they needed to specialize. He expressed satisfaction with the fact that the Bank's programme was directed towards countries in sub-Saharan Africa. He noted that accounting training programmes were often unsatisfactory and urged the Bank to consider the standardization of accounting education.

29. The expert from the Sudan noted that while his country produced many qualified accountants, many of them left to work in the Gulf States. As a

result, there was an insufficient supply in the government and private sectors. The Sudanese Accounting Council has been created for the purpose of strengthening the profession and for licensing. However, it was not able to offer training to its members owing to lack of foreign exchange.

30. The expert from Kenya thanked the United Nations Secretariat for assembling the document under review, which showed the dire need to strengthen both education and the profession. Kenya was in a slightly more favourable situation than other countries in that it had a large number of accountants and a large number of training institutions, including one college sponsored by the professional institute. That college had been set up largely by the profession to provide high-quality training. The college had approached the World Bank under its capacity-building programme in order to widen the activities of the college. In the future, postgraduate courses would be provided on a number of business and management subjects.

31. The Group then turned its attention to the review of accounting education in Asia and Latin America. The expert from India stated that the situation in general was good in his country owing to the educational system and the existence of independent professional organizations that held rigorous examinations and insisted on practical experience. However, supply exceeded demand, and that caused significant problems in that many chartered accountants engaged in cutthroat competitive practices in order to obtain business. If a firm found that the auditors were not obliging, it could easily replace them, causing an erosion of professional ethics. That element was missing from the questionnaire, and he wondered how the Group could take up the question of professional ethics. He agreed with the comments of the representative of the World Bank on the necessity for introducing the computerization of accounts into the curricula so that fully qualified accountants would be fully equipped when licensed to fulfil their various tasks.

32. The experts from China, Cyprus and Thailand offered amendments to the text of the report to be taken up in its final version.

33. The Group then considered the situation in Europe and North America. The observer from the United States of America commended the Group for its work in taking up the topic and producing the series of reports. She looked forward to the Group's final recommendations on accounting education. She suggested amendments to the text of the report.

34. The expert from France thought that a clearer distinction was needed in all the reports between accountants in the public and the private sectors. He agreed that government and academic accountants earned less than accountants in the private sector. However, he wondered whether the percentages included in the table adequately reflected such differences. He observed that the critical remarks in the report about accounting education in France were the reflection of a general desire to improve the educational system and should not be interpreted as a criticism of the adequacy of accounting education in his country.

35. The representative of the European Community suggested that a paragraph be added on common elements shared by members of the Community regarding accounting education, such as common rules for the training of statutory auditors. He

noted that while it was true that class sizes in Europe were large, this was due to the democratization of education and was not peculiar to accounting. In the same way he thought that the fact that accounting professors earned lower salaries than their colleagues in practice was not typical and therefore not highly relevant. Moreover, he stated that accounting professors could normally do consultancy work which might provide them with additional income. He was of the view that the European Community on the whole did not lack trained professors. The experts from Italy, Switzerland, Spain and Sweden made corrections to the text to be taken up in the final report. The representative of the European Community corrected information regarding his own country, Belgium.

36. The expert from the Netherlands said that it had been hard to fill in the questionnaire owing to a certain confusion over what was to be included. He mentioned that Netherlands universities issued diplomas that automatically qualified the recipients as auditors and members of the professional institute. To receive the diploma they needed a doctorate in economics and three years postgraduate experience. The professional institute also had its own educational programme and examination, which were recognized by law to be of the same calibre as the university diploma. Education in the Netherlands was based largely on the clinical model described in document E/C.10/AC.3/1993/3. In that model postgraduate education was largely provided by part-time instructors such as him. While there were deficiencies in the Netherlands system, in general it was up to standard in quality.

37. The Group then turned its attention to the situation in Central and Eastern Europe. The expert from Bulgaria stated that the Group had the responsibility to come up with a global view of accounting education, since in some countries the concept of accounting education was not clearly defined. He elaborated on the various levels of accounting and auditing education in his country.

38. He was followed by the experts from Hungary and Ukraine who also explained their systems. The Ukrainian observer said that retraining accountants in his country was difficult because of uncertainty over which accounting system to use - the Anglo-Saxon or the continental (European) one.

39. The observer from Poland reminded the Group that the accounting profession had been established in Poland in 1907 and that at present the system had provided 15,000 accountants with a very high level of education. Seven thousand of those accountants had become certified auditors. Very often foreign experts did not understand that Poland had a good foundation for making the shift to a market economy and was not starting from zero. For example, cost-accounting was well known to Polish accountants; it was financial accounting that must still be learned. In the area of accounting education, Poland must develop its own standards after discussion and not have those standards imposed.

40. The observer from the Czech Republic noted that the statement of the observer from Poland regarding the quality of her country's educational system applied to his own country as well. The Czech Republic's educational system had enabled his country to make enormous progress in shifting to a market economy and new rules on accounting. The Union of Accountants had created a group of trainers and had given lectures to all accountants on the intent and content of the new laws. Currently those accountants must learn how to implement those

laws. A new chamber of auditors that had taken over a number of functions from the Ministry of Finance, including the certification of auditors, had also been established. The chamber intended to train auditors in the future but it had not yet decided on its programme. He thought that it might be necessary to set up a special body for training.

C. Reports by international and regional organizations

41. At its 5th and 6th meetings, on 8 March, the Group considered the three reports by international and regional professional organizations:

(a) "Professional accounting education: some requirements for the year 2000 and beyond" (E/C.10/AC.3/1993/7);

(b) "Recent developments affecting the European accountancy profession" (E/C.10/AC.3/1993/8);

(c) "The education of European accountants and challenges of the international economy" (E/C.10/AC.3/1993/9).

42. In introducing the reports, a member of the Secretariat said that they represented the views of the various international and regional professional bodies on accounting education. Since accounting was not a purely theoretical discipline but a largely practical one, the experiences of the professional bodies were extremely relevant in improving education.

43. In commenting on the report on professional accounting education requirements (E/C.10/AC.3/1993/7), a representative of the International Federation of Accountants described the dual objectives of its Education Committee, which were to develop guidelines, papers and policies on pre-qualifying and continuing education and to act as a catalyst to bring together developed and developing countries. The Committee, under its first objective, had issued a number of guidelines on pre-qualifying education and training, tests of competence, core knowledge and professional subjects, supportive subjects, practical experience requirements, education and training for accounting technicians, the impact of information technology on the accounting profession, professional ethics, and continuing education. Regarding the second objective, he said that the Committee had developed a clearing house concept to deal with the problems among developed and developing countries. The Committee saw itself in a brokering role, and it would support member bodies which wished to assist developing countries to make applications to the World Bank for funding.

44. He stressed that if accountants were to succeed in a dynamic environment, then accounting education must give them the ability to engage in lifelong learning as well as various communication, negotiation, intellectual, accounting and personal skills. Above all, accountants had to be adaptable. It had been said that what counted was not what a person knew but what the person was capable of learning. He gave an example, in the field of information technology, of how the Institute of Chartered Accountants of Ireland was helping its older members to acquire the computer skills they needed to function in a modern work environment. He concluded by saying that a great deal was happening

in the field of education, that many educational materials were available for distribution and that possibly IFAC could start an information exchange system through a newsletter or other means.

45. The expert from Jordan stated that while he appreciated the report, one had to look at the problem of accounting education from a practical aspect. Many things needed to be done in the field of accounting education, particularly for the developing countries and countries in transition. Unfortunately, the report contained nothing in the way of application which would help close the "education gap". He suggested that IFAC promote international standards for qualifying accountants and an international examination. They would solve the problem of world-wide recognition, which was currently being solved on a bilateral basis through mutual recognition. Two things were needed: a master plan for accounting education, and an international leader. The expert from Nigeria thanked IFAC for its contribution and allied himself with the statement of the expert from Jordan. He thought that the challenge could be taken on by a consortium of IFAC and the World Bank, since the Bank had the resources to fund the ideas of IFAC. Other bodies such as ISAR should also join together in the effort.

46. A number of experts commented on the stress given to general knowledge in the report, and they were of the opinion that such general knowledge was required of all professionals - not just accountants. The expert from Sudan added that it was unclear how one could distinguish pre-qualifying education from general education. He stressed the need for standardization for the benefit of better guidance to developing countries. As an example, he noted that some accounting curricula were comprised of only a small number of subjects (the United States curriculum for CPA was comprised of about six subjects), while others were far more extensive (some European curricula were comprised of 14-18 subjects).

47. A number of experts asked specifically what IFAC was doing to help developing countries and countries in transition. The expert from Germany asked if IFAC would like to work with ISAR to develop world-wide standards for a qualification. The expert from Kenya stated that IFAC had not fulfilled its role to develop the profession world wide and noted that probably there was a question of resources. Developing countries needed investment in accounting education and adequate standards. The expert from Gabon mentioned that programmes of structural adjustment had been forced on many African countries. He asked how they could be successful when there was no reliable accounting information, because there were no qualified accountants. Some African countries did not have even one certified public accountant. It was not enough for international organizations such as IFAC and the World Bank to have the will to help. If the World Bank was requiring structural adjustment, it should provide the means. In addition, there was not a single member country in IFAC from his group of francophone African States.

48. The expert from the Netherlands said that the report was too vague and that a more operational document was needed. He focused on four areas which could assist developing countries. They were:

(a) The distinction between different types of accountants and auditors;

(b) A focus on the career development of students. The education described in the report was what a 50- to 60-year-old professional should attain, whereas the focus should be on how young people could get into the profession. In his country there were two tracks - one via the university, and the other "learn as you work". The latter might be an important solution for developing countries, because it resulted in high quality but also gave the student the opportunity to work;

(c) The report gave the impression that accounting education was a question of assembling various building blocks, whereas education should be circular: students needed to see everything at an early stage and to continue to go into depth throughout their studies;

(d) Lastly, there was a relation between pre- and post-qualification. It was not possible to educate the student for every possible situation; some things needed to be left for post-qualification study, and that could reduce the burden of pre-qualification education.

49. The expert from Switzerland said that his country had a system of apprenticeship which might be a solution for developing countries. He agreed with the proposal of the expert from Jordan for a world-wide solution to the question of qualification. The expert from Pakistan suggested that IFAC also prepare training materials for that qualification, as had been done by the Conference of Accountants of Asia and the Pacific for accounting technicians. The expert from India remarked that the report largely discussed the education relevant to developed countries, whereas it was the developing countries that needed the improvement. The question was how the ideals in the report could be translated into reality for the developing countries.

50. The representative of IFAC responded to the comments in general by saying that he would report them back to the Council of IFAC and that the Education Committee could take limited action on some points. The main difficulty in taking up all the proposals was one of resources. Regarding developing countries, he said that the Committee had identified Africa as an area where IFAC could be of use but that most of its efforts would be in the capacity of "catalyst". The Chair concluded the discussion of the report by again urging IFAC to harmonize educational standards.

51. The Group then turned its attention to the report which described the situation in Europe (E/C.10/AC.3/1993/8). The Secretary-General of the Federation of European Accountants noted that historically the most significant characteristic of the profession in Europe was its diversity. However, the profession was currently facing the same two challenges throughout the region. The first challenge was to respond to the marketplace, which was becoming less national and more international, and to provide more similar services throughout that market; the second was to operate within a regulatory framework which was also decreasingly national and increasingly regional and international. Education and training had to respond to both challenges. The Eighth EC Directive, by harmonizing the minimum requirements for the authorization of statutory auditors, provided a solid common base for the liberalization of the accountancy profession, including the mutual recognition of qualifications. The

report focused on the response of the profession to that evolving regulatory framework. Two aspects of their profession were regulated: the services offered, and the organization of the profession. With the creation of a single economic area in Europe, considerable attention was being given to the provision of "cross-border services", based on the procedures of mutual recognition. The potential benefits of the European model, including the Eighth Directive, to other countries and regions were explored.

52. During consideration of its report (E/C.10/AC.3/1993/9), the representative of the European Institute for Advanced Studies on Management mentioned additional challenges facing accountants which should be considered when trying to improve accounting education. They included the expectations gap, the difficulties encountered in harmonization and the fragmentation of the profession. Too often, in his view, the education of accountants reflected a national position versus a European one, since accountants must qualify, certify and practise nationally. Nevertheless, the Eighth EC Directive tried to counter that, and it was having some effect. He also mentioned the difficulties in Eastern Europe where the entire profession must make the transition to a market economy.

53. The representative of the European Community thought that the implementation of the Eighth EC Directive was leading to major modifications in the regulation of the profession of statutory auditor. He explained that some countries had decided to create a second educational title because of the different options chosen under the Fourth EC Directive, particularly for accountants who served companies not requiring a statutory audit. The directives had to have a certain respect for the national accounting environments and, therefore, it was incorrect to state that options were an impediment to harmonization. The aim in the Community was not for complete standardization; it was necessary to allow for different treatments in the appropriate circumstances. While the text of the directives might be obscure, the alternative would be to produce a "cookbook", and he did not believe that everything should be regulated.

54. The expert from Germany, in reviewing the three reports, stated that they were not helpful because they did not propose any way to attain the educational objectives presented. He thought that the Group should discuss qualification rules and if it could reach an agreement world wide on the level of the Eighth EC Directive, many problems would be solved.

55. The experts from Bulgaria, the Czech Republic, and Poland stated that the description given in the report of the situation in their countries (E/C.10/AC.3/1993/9) did not give a faithful picture and it was suggested that the section be rewritten with the help of the experts present.

56. The representative of FIDEF commented on the role of the profession in accounting education in Africa. The profession had a double role, which was to help students acquire practical knowledge and theoretical knowledge. In countries where there was no profession - or only a small one - accountants were forced to study abroad. He urged IFAC to help strengthen the profession by supporting centres for technical training and by disseminating its standards. He called for an action plan that had targets and that made better use of the existing infrastructure.

57. In closing, the Chair said that he was glad that the developed countries were sympathetic to the developing ones but that the educational gap seemed to be widening. A global profession was needed, with global qualifications. He again asked which international organization was going to be the leader and develop a master plan for the development of education on a world-wide basis. With responsible leadership, funding would be made available. Such a plan would benefit all, since it would create an environment which had acceptable standards.

58. He also commented on the approach taken by the European Institute for Advanced Studies towards harmonization within the EC.

D. Accounting education and strengthening of the profession

59. At its 7th meeting, on 10 March, the Group considered six proposals from the Chairman which, if adopted and implemented, would help accountants and auditors better fulfil their global responsibilities by fostering the creation of a global profession. 4/ Three proposals, pertaining to the establishment of global qualification standards, a professional accreditation system and a multilingual dictionary of accountancy, were taken up together.

60. The expert from Germany affirmed the need for global qualification standards which would make the accounting professional equal around the world. It would be necessary to guarantee that only those who met the standard were registered. While in many countries a high level of accountancy had been achieved, there was no common guaranteed level world wide. This posed problems for developing countries and countries in transition, in which accountants were not accepted equally. He suggested that, based on the standards currently proposed, at a later stage new designations should be established, that of United Nations registered accountant and, on a higher level, that of United Nations registered auditor. There remained the question of who should develop such standards. He recommended the creation of a working group by IFAC, the World Bank and other interested parties, in which government representatives would participate from the beginning. Once the standards were written, the United Nations could enter into agreements with government agencies or other institutions which met the standards, and the tasks of training and examination could be handled on a franchise basis. The tasks should be supervised by the United Nations so that a minimum level was achieved. He believed that many professionals would be interested in becoming a United Nations registered accountant or auditor. Such a title would guarantee global acceptance of an accountant's work. However, licensing would have to remain at the national level.

61. The expert from France mentioned that IFAC already had a standard for examination. The Chairman explained that what was meant by global qualifications standards included specifying the curricula, textbooks, examination materials and methods for conducting the examinations. The expert replied that he did not think that such work was within IFAC jurisdiction and that, furthermore, there would be financial problems. However, IFAC would be a source of guidance.

62. A number of experts fully supported the proposal as stated by the expert from Germany, including the experts from Cyprus, Mexico, Morocco, Nigeria, Pakistan, Poland, Sudan, Sweden, Switzerland and Ukraine. The expert from Switzerland added that he would like IFAC to undertake the task but that he was reluctant to give that role to IFAC without further guidance, since it had such a heavy Anglo-American orientation. It would be necessary to broaden its perspective by involving the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting. The Chairman noted that the participation of a number of organizations such as the World Bank would ease the financial burden.

63. The expert from the Netherlands concurred with a number of the ideas being considered. However, the normal procedure was to leave as much to the profession as possible and it should therefore be given the opportunity to improve its performance on its own. It was clear that IFAC should be involved in that effort; the question was how to get it to move. If it were unable or unwilling, ISAR would have to seek other means. The representative of the European Community agreed with the expert from the Netherlands and said that it was important to ask IFAC to undertake that task. IFAC should be urged to consider the various regional approaches and should start with the qualifications for accountants rather than those for statutory auditors. The concepts of qualification and licensing should be separate. The United Nations designation would not enable accountants to practise all over the world.

64. The expert from India doubted that IFAC could undertake the task, because it seemed to be bogged down and suffered from tunnel vision. He was joined by the expert from Nigeria who thought that IFAC reflected the views of its financial supporters and that it did not have a global perspective. Therefore, together with the expert from Brazil, he thought that the Group would have to monitor the work. The expert from Bulgaria stated that the problem should be resolved within the Group and that IFAC might do the work under contract but the direction or terms of reference should be framed by ISAR.

65. The Chairman suggested that ISAR should start consultations with the World Bank and IFAC for a global master plan on accounting education and related matters, and an ad hoc committee should be formed to propose a plan of action. The Group agreed to that proposal.

66. The Group then considered the proposal that the United Nations should organize a forum to discuss the responsibilities and liabilities of auditors. The Chairman suggested that the United Nations invite lawyers, members of accountancy bodies and accountancy firms, and government regulators. The representative from the European Community thought that the topic was primarily a problem for developed countries and that it would need careful preparation. He therefore asked that it be kept as an item but postponed. He also pointed out that preparations for such a forum should take into account the various legal environments throughout the world. The experts from France, the Netherlands and Switzerland agreed with the idea of postponing the forum.

67. The experts from the Czech Republic, India and Sudan stated that they were all trying to deal with the problem and that the topic should not be postponed since it was a world-wide issue. The Group concluded that the forum should be held during the 1995 session.

III. ADOPTION OF THE REPORT OF THE GROUP ON ITS ELEVENTH SESSION

68. At its 9th meeting, on 12 March 1993, the Group adopted the draft report on its eleventh session (E/C.10/AC.3/1993/L.3 and Add.1-5), as amended during the discussion.

IV. ORGANIZATION OF THE SESSION

A. Opening and duration of the session

69. The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting held its eleventh session at United Nations Headquarters from 4 to 12 March 1993. The Group held nine meetings (1st to 9th meeting) and a number of informal meetings.

70. The session was opened by the Chairman of the tenth session, Mr. István Friedrich (Hungary).

B. Membership and attendance

71. In accordance with Economic and Social Council resolution 1982/67, the Group is composed of 34 members, elected on the principle of equitable geographical distribution.

72. The following States members of the Group were represented at the eleventh session: Brazil, Bulgaria, Chile, China, Cyprus, France, Gabon, Germany, Hungary, India, Italy, Jordan, Kenya, Lebanon, Mexico, Morocco, Netherlands, Nigeria, Pakistan, Russian Federation, Spain, Sudan, Sweden, Switzerland, Thailand, Turkey and the United Kingdom.

73. The following States Members of the United Nations were represented by observers: Belarus, Czech Republic, Poland, Romania, Ukraine and United States of America.

74. The World Bank was represented by observers.

75. The Commission of the European Communities, the Organisation for Economic Cooperation and Development and the Organization of African Unity were represented by observers.

76. The following non-governmental organizations in consultative status with the Economic and Social Council were represented by observers:

Category I: International Chamber of Commerce

Roster: Arab Society of Certified Accountants

77. With the approval of the Group, the following organizations attended the session as observers: the Fédération des experts-comptables européens, the Fédération internationale des experts-comptables francophones, and the International Federation of Accountants.

C. Election of officers

78. At the 1st meeting, on 4 March 1993, the Group elected the following officers:

Chairman: Talal Abu-Ghazaleh (Jordan)

Vice-Chairmen: Herbert Biener (Germany)
Ravi Kathpalia (India)
Antonio C. de Santana (Brazil)

Rapporteur: G. G. M. Bak (Netherlands)

D. Agenda and organization of work

79. At the 1st meeting, on 4 March, the Group adopted the following provisional agenda, as contained in document E/C.10/AC.3/1993/1:

1. Election of officers.
2. Adoption of the agenda and other organizational matters.
3. Accounting education and strengthening of the profession.
4. Provisional agenda for the twelfth session of the Group (on a pro forma basis).
5. Adoption of the report of the Group on its eleventh session.

80. At the same meeting, the Group approved its organization of work as set out in document E/C.10/AC.3/1993/L.2.

81. At the 8th meeting, on 10 March 1993, the Secretary of the Group reminded the members that the terms of 18 countries would expire at the end of 1993. If they wished to renew their memberships, their Governments should so indicate in writing as soon as possible. The elections for the Group would be held on 29 and 30 April. If re-elected, a country would serve for a three-year term.

82. On the basis of three draft resolutions proposed by the Chairman, the Group then considered the remaining organizational matters: the size of the Group, the funding of the travel of experts from developing countries, and the resources allocated to the work of the Group by the United Nations Secretariat, and the timing of the meeting. Several experts reminded the Group of the special nature of the current session, as approved at the ninth session in 1991. They questioned whether it was appropriate to have resolutions on the agenda that did not specifically relate to the topic assigned for the special session.

83. The Group noted the growing number of countries interested in the work of the Group, particularly new Member States, many of them countries in transition. The expert from Germany said that he supported the increase in membership. Furthermore, he supported open membership, since all interested members of the Economic and Social Council should be able to join. There was no reason to have a closed shop. The expert from Switzerland favoured a step-by-step approach and thought that an increase to 40 or 50 would be more appropriate. The Chairman stated that there were no countries from North America and that some countries which had large accounting professions were absent. In particular he made a strong appeal that the United States of America rejoin the Group. The Group concluded that it would request an increase in membership to 50, according to the following pattern: 13 members from African States, 10 from Asian States, 6 from Eastern European States, 7 from Latin American and Caribbean States, and 14 from Western European and other States.

84. The Group then discussed the funding of the expenses of experts from developing countries for attending the sessions. The representative of the World Bank stated that he often faced the problem of balanced participation of experts from developing countries and that it was necessary to fund their travel. The experts from Gabon, Nigeria and India supported the proposal to fund the expenses of experts from developing countries within existing resources and appealed to the experts from France and the Netherlands to consider the matter, despite their reluctance on procedural grounds. The Group concluded that it would request the General Assembly to consider granting travel assistance, within existing resources.

85. The Group then discussed the impact of the restructuring of the United Nations Secretariat on its work. Since the Group was the only forum open to developing countries and countries in transition, it was necessary to ensure that it would have sufficient resources to fulfil its mandate. The expert from Nigeria stated that financial reductions would affect the implementation of the programme of work and cause developing countries to suffer. Therefore, it was important to consider the impact of restructuring at the current session. The representative of the World Bank noted that large organizations often gave mandates but then did not vote the resources. Given the lack of rationality, he agreed with the necessity of having a specific resolution on the subject. The Group concluded that it should call upon the Secretary-General to ensure that the appropriate structure and resources were made available within the United Nations Secretariat so that the Group could effectively carry out its mandate.

86. Three draft resolutions on those matters (E/C.10/AC.3/1993/L.6, L.7 and L.8) were submitted by the Chairman and were adopted by consensus.

87. The representative of the Netherlands made a statement of position on the three draft resolutions. He said that his delegation had joined the consensus since it supported the underlying principles of the drafts. However, his delegation was not convinced that they should be adopted at a special session of the Group. Furthermore, he stated that his delegation was of the opinion that the operative paragraph of the draft resolution contained in document E/C.10/AC.3/1993/L.7 could only be interpreted as financial support to cover travel expenses as stipulated in various General Assembly resolutions. Lastly, he said that his delegation recognized the wish of many delegations to enlarge

the size of the Group, but his delegation questioned the proposed size and distribution of the seats among the various regional groups.

E. Documentation

88. The documents before the Group at its eleventh session are listed in the annex to this report.

Notes

1/ Official Records of the Economic and Social Council, 1988, Supplement No. 7 (E/1988/17), chap. I, sect. C.

2/ E/C.10/1993/12.

3/ United Nations publication, Sales No. E.91.II.A.2.

4/ On 9 March 1993, at an informal meeting, the entire Group attended the Accounting Education Forum organized by the Transnational Corporations and Management Division. A panel of 12 academic experts discussed how accountants and accounting curricula could adapt to the needs of the decade and coming century. If a profession failed to change, it lost relevance, panellists agreed. Accounting education must prepare students to become accountants over the course of their careers, not be accountants upon graduation and certification, one panellist said. The challenges were not limited to accountants in developing economies. Europe must bridge the gap between East and West through better technical assistance. A number of suggestions were made in that regard, such as building on the existing accounting profession and knowledge in Eastern Europe.

Annex

LIST OF DOCUMENTS BEFORE THE GROUP AT ITS ELEVENTH SESSION

Document symbol	Agenda item	Title or description
E/C.10/AC.3/1993/1	2	Provisional agenda
E/C.10/AC.3/1993/2	3	Global review of the state of accounting and auditing education and training: report of the Secretary-General
E/C.10/AC.3/1993/3	3	Responsibilities of the accounting profession and direction of accounting and auditing education: report of the Secretary-General
E/C.10/AC.3/1993/4	3	Regional review of accounting and auditing education and training in Africa: report of the Secretary-General
E/C.10/AC.3/1993/5	3	Regional review of accounting and auditing education and training in Asia and Latin America: report of the Secretary-General
E/C.10/AC.3/1993/6	3	Regional review of accounting and auditing education and training in Europe and North America: report of the Secretary-General
E/C.10/AC.3/1993/7	3	Professional accounting education: some requirements for the year 2000 and beyond: note by the Secretary-General
E/C.10/AC.3/1993/8	3	Recent developments affecting the European accountancy profession: note by the Secretary-General
E/C.10/AC.3/1993/9	3	Education of European accountants and challenges of the international economy: note by the Secretary-General
E/C.10/AC.3/1993/L.1	2	Status of documentation for the session: note by the Secretariat
E/C.10/AC.3/1993/L.2	2	Organization of the work of the session: note by the Secretariat

Document symbol	Agenda item	Title or description
E/C.10/AC.3/1993/L.3 and Add.1-5	5	Draft report
E/C.10/AC.3/1993/L.4	3	Cooperation with the International Federation of Accountants: draft resolution
E/C.10/AC.3/1993/L.5	3	Ad hoc consultations on a Master Plan: draft decision
E/C.10/AC.3/1993/L.6	2	Enlargement of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting: draft resolution
E/C.10/AC.3/1993/L.7	2	Financial arrangements for the annual session of the Group: draft resolution
E/C.10/AC.3/1993/L.8	2	Structure and resources to fulfil the mandate of the Group: draft resolution

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